

Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EB-03 INR-05 CIAE-00 NSC-05

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 1362

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C O N F I D E N T I A L KINSHASA 1414

LIMDIS

E.O. 11652: N/A

TAGS: ECON, EFIN, CG

SUBJECT: ZAIRE'S FINANCIAL SITUATION: 1975 BALANCE OF
PAYMENTS PROJECTION

REF: (A) KINSHASA 1291

(B) A-30 OF FEB. 13, 1975

1. REFTEL PROMISED OUR BEST GUESS AS TO LIKELY
FOREIGN EXCHANGE REVENUES AND RECEIPTS IN 1975. FOL-
LOWING TABLE SHOWS FOR REFERENCE PURPOSES 1974 ESTIMATE
TAKEN FROM DATA FORWARDED VIA REF (B), ADJUSTED
DOWNWARD PER REF (A) TO DISCOUNT RECEIPTS GOLD SALE. ALL
IN MILLIONS OF ZAIRES ON FINANCIAL SETTLEMENTS BASIS.

	1974 ESTIMATE			1975 PROJECTED		
	CREDIT	DEBIT	BALANCE	CREDIT	DEBIT	BLAANCE
TRADE						
MERCHAN-	631.5	448.9	PLUS182.6	479	274.9	PLUS204.1
DISE						

FREIGHT	14.3	63.8	- 49.5	28	36.7	- 8.7
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SERVICES

OTHER	6.9	12.2	- 5.3	6.9	6	PLUS 0.9
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TRANSP.

TRAVEL	4.3	12.8	- 8.5	4.3	7.6	- 3.3
DIVIDEND						
ACTIONS	7.1	61.3	-54.2	7.1	93.2	-86.1
GOV. TRANS	15.6	71.8	-56.2	15.6	45.4	-29.8
OTHER	38.6	67.5	-28.9	38.6	51.4	12.8
TRANSFERS						
PRIVATE	13.4	51.3	-37.9	13.4	51.3	-37.9
GOV.	5	1.9	PLUS 3.1	5	0	PLUS 5
CAPITAL						
PRIVATE	21	59.6	-3838.6	21	68.5	- 47.5
GOV./	0	53.1	- 53.1	0	60.5	-60.5
LOANS/ AMORT- ZATION						
TOTAL	757.7	904.2	-146.5	618.9	695.5	- 76.6

2. KEY ASSUMPTIONS INCLUDE: COPPER PRICE OF 55 CENT LB. BUT AT MONTHLY SALES LEVEL OF 40,000 METRIC TONS (I.E. NO CIPEC REDUCTION), AGRICULTURAL AND OTHER MINERAL RECEIPTS AT APPROXIMATELY 1973 LEVEL AND ALL OTHER RECEIPTS AT 1974 LEVEL. ON EXPENDITURE SIDE, IMPORTS ARE ASSUMED TO BE REDUCED BY 38 PERCENT AND OTHER SERVICES AND GOVERNMENT TRANSACTIONS BY SOMEWHAT LESS. LASTLY, IT IS ASSUMED THAT DEBT SERVICE PAYMENTS ARE MADE, THAT EXPATRIATE SALARIES ARE TRANSFERRED AT 1974 LEVEL AND THAT PROFITS CONTINUE TO BE TRANSFERRED.

3. ALSO, FOREGOING 1975 ESTIMATE OF EXPENDITURES DOES NOT TAKE INTO ACCOUNT \$50 MILLION STILL OWED ON UNION MINIERE COMPENSATION, BUT NEITHER DOES RECEIPT SIDE SHOW \$50 MILLION FROM ABU DHABA. ABU DHABI LOAN MAY HAVE TO BE USED TO FINANCE GECAMINES PART OF EXPANSION PROGRAM IF, AS WE SUSPECT, GECAMINES HAS NO FOREIGN EXCHANGE RESERVES FOR ITS SHARE OF PROGRAM.

3. IT HAS BEEN REPORTED THAT THERE IS DIFFERENCE OF OPINION WITHIN GOZ AS TO WHETHER FX CRISIS CAN BE CONFIDENTIAL

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OVERCOME THROUGH IMPORT REDUCTION NEWLIN AUSTERITY MEASURES-- OR WHETHER IMF HELP RESCHEDULING WILL BE REQUIRED. WE COME OUT IN MIDDLE SINCE WE DO NOT ASSUME 50 PERCENT REDUCTION FOR 1974 EXPENDITURE LEVELS IN IMPORTS, FREIGHT, GOVERNMENT TRANSACTIONS AND OTHER SERVICES WHICH PROPONENTS OF OPTIMISTIC LINE WOULD HAVE TO ASSUME. NOR DO WE BELIEVE RESCHEDULING IS NECESSARY, ASSUMING SOME OUTSIDE HELP--FROM IMF AND OTHER SOURCES.

4. IMF AND WESTERN BANKERS, OF COURSE, WON'T HELP
UNLESS MOBUTU ASKS THEM AND AGREES TO CERTAIN CONDITIONS.
WE THINK MOBUTU WILL TRY (A) TO LIVE WITHIN RESOURCES
(B) TRY AGAIN FOR SIGNIFICANT ARAB MONEY AND (C) ONLY
AFTER (A) AND (B) HAVE FAILED-- COME TO IMF AND WESTERN
SOURCES. IN THE MEANTIME, GIVEN POOR FINANCIAL MANAGE-
MENT ON PART OF GOZ, THERE IS SIGNIFICANT RISK THAT THEY
WILL MISS ONE TOO MANY DEBT PAYMENTS AND PRECIPITATE
REAL CRISIS.
HINTON

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